Analysis of Implementation of Business Ethics and Management Strategies for MSMEs during the COVID-19 Pandemic

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Abstract

During the pandemic, MSMEs faced various problems such as a decline in raw materials and sales, obstacles in the production and distribution process, increasingly difficult capital and a lack of understanding of technology and information. This research appears to examine the application of business ethics and confirm Henri Mirtberg’s theory regarding the 5P strategy, namely Plan, Ploy, Pattern, Position and Perspective, that can be used during a pandemic. A qualitative approach was used in research through the interview process in previous studies. The study results indicate that applying sound business ethics and implementing the 5Ps can increase effectiveness and efficiency. Applying these two things during the pandemic can also help MSMEs stay alive.

Keywords: Business Ethics, Management, Business Strategy, COVID-19, MSME.

A. INTRODUCTION

The Covid-19 virus has become a pandemic that threatens human health worldwide. Quoted from the covid.go.id page until this research was carried out, WHO stated that the number of deaths worldwide reached 6,981,701 people with a death rate of 400,857 and patients confirmed to have recovered as many as 3,130,718 (Rana et al., 2021). Data shows that 32,033 people throughout Indonesia were infected with the Covid-19 virus, with a death toll of 1,883. In East Java alone, there were 5,948 people infected with Covid-19, with a death toll of 483, and 1,409 patients with recovered status as of June 8, 2020 (Kassim et al., 2020).

Currently, the government and society face demands to deal with COVID-19 and act responsively to overcome the more fatal impacts on the business sector (Alam et al., 2021). Implementing WFH (Work from Home) for workers and employees, both government and private, and PSBB (Large-Scale Social Restrictions) for MSMEs themselves are faced with problems. These problems are raw materials are decreasing, sales are declining, obstacles both in production and distribution, difficulties in terms of capital, and what is still being faced is the lack of knowledge of information technology and the obstruction of business networks which result in decreased
business productivity especially the ability of MSME actors to deal with changes such as in terms of transactions, which start with a manual system so that they are demanded to use an all-digital system (Nasution et al., 2021). It can be found that the number of MSMEs continues to increase. In 2020, the local government, through Diskoperindag, targets as many as 500 MSMEs which will then be issued IUMK (Micro and Small Business Permits) (Maduwinarti & Andayani, 2021). 

This requires interested actors to work together to maintain the sustainability of MSMEs and carry out structuring and revitalization. This can be done if the pandemic is over or ends ultimately, but more importantly, reducing the negative impact on MSME actors with the right and fast innovation to create new and sustainable activities for the MSMEs (Aldianto et al., 2021). Like when PSBB and WFH were enforced in various regions, MSMEs were faced with the problem of losing their place in selling. It could be overcome by utilizing technological advances and information such as online shops on various online media (Tavengerwei, 2018).

One of the solutions to these problems is a strategy to restore MSME actors' existence during a pandemic that will continue even after the pandemic ends. One of the strategies used is to use the strategy concept proposed by Henry Mintzberg, Henry argues that strategy is a 5P (Plan, Ploy, Pattern, Position, Perspective) (Mintzberg, 1987). Pedersen & Ritter (2018) say that a plan is a strategic plan before it is implemented and followed up through implementation. Strategy as a ploy is a particular activity that distinguishes business actors' business strategies from business competitors who aim to be superior. Strategy as a pattern describes the company's activities which can also be explained by patterns that arise from previously planned and implemented actions. Strategy as a position where business actors, in this case, are MSMEs, can utilize and use existing physical and knowledge resources to provide different products and find market niches to block and outperform their competitors. Strategy as a perspective refers to an organization's culture in which business people view themselves and the environment around them as a strategy (Muafi, 2020).

Wahyuni et al (2020) argue that the importance of business management for business people in the MSME sector can be seen in several areas of management knowledge, including marketing, human resources, finance, and operations. In the field of marketing, it is necessary to develop a digital marketing system that is right on target and can reach an extensive range of consumers in the area of human resources, strengthening of insight and skills so that they can manage businesses in a planned and organized manner (Vieira et al., 2019). Strengthening the financial sector can be effective and efficient concerning access to capital. Strengthening operational management such as product quality, distribution targets, and production efficiency (Gungah et al., 2019).

In addition, considering the ongoing global pandemic, MSME actors must pay attention to business ethics that must be applied to sustain an ongoing business

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Velásquez argues that business ethics is a focused study of moral right and wrong and concentrates on ethical standards applied in policies, institutions, and business conduct. In business ethics, profit is not the only goal of the organization, therefore ethics has a critical role in the business world (Mea & Sims, 2019). According to Kerin et al, ethics are moral principles and values that govern the actions and decisions of an individual or group. From this information, it can be concluded that a business person who plays an essential role in business cannot be separated from the principles and values adopted (Heinrichs et al., 2020). Unethical behavior such as mistreating employees, abusing the pricing of a product or service offered, absence or lack of welfare in the organization, lack of social and environmental responsibility, performing unethical actions against fellow business partners while working together, and various other ethical violations. Kerf stated that business ethics has five principles, namely the principles of autonomy, justice, honesty, mutual benefit and moral integrity (Cuervo-Cazurra et al., 2021).

Through this explanation, researchers are interested in researching how the implementation of business ethics and good management strategies can improve MSME businesses, especially during this pandemic.

**B. LITERATURE REVIEW**

**Business Ethics**

In business, ethics apply principles that business people should obey. According to Sonny Kerf, the principles in question are (Preventif, 2018):

1. The notion of autonomy refers to one’s ability to make decisions and act based on a sense of what is right and wrong and being morally accountable for those decisions.
2. The principle of Honesty, Honesty is the key to a company’s success. Hence it will not continue long if it is not built on it (e.g., Honesty in contract execution, Honesty with consumers, Honesty in working relationships and others).
3. The principle of justice states that everyone in business must be treated fairly and according to their rights, which means that no one’s rights should be violated.
4. The principle of mutual benefit so that all parties, including competitive businesses, will strive for mutual benefit.
5. Moral Integrity Principle, this principle is the basis in doing business where business people in running their business must maintain the company’s good name to remain trusted and be the best company.
Management Strategy

Mintzberg shows the perspective through 5P strategies to sharpen the definition of "Strategy," namely (Nur et al., 2021):

1. Strategy as a Plan, planning is a plan prepared in detail regarding one’s actions to achieve goals. The plan is designed by considering current and future opportunities and threats and formulating several alternatives that can be taken. In this case, it will clarify what they should contribute.
2. Strategy as a Ploy is a specific tactic used to outperform competitors.
3. Strategy as a Pattern shows a series of actions taken to achieve a goal.
4. Strategy as a Position is an alternative to determine the strategy that business people can choose in positioning their business.
5. Strategy as a Perspective represents how business people view themselves about their desired position and other, more extensive views.

MSME

According to Tambunan, MSMEs, also known as Micro, Small and Medium Enterprises, are productive economic businesses that stand alone, run by small business entities or even just individuals not part of any subsidiaries (Kermite, 2021).

According to Law Number 2008 concerning MSMEs, Chapter IV Article 6, the criteria for MSMEs are as follows:

1. Micro-enterprises usually have assets for at least Rp. 50 million, which exclude land and building they owned. They may achieve Rp. 300 million as their annual sales (Padmanegara, 2021).
2. Small businesses, usually having assets for at least range from Rp. 50 million to Rp. 500 million, which exclude land and building they owned. They may achieve Rp. 300 million to Rp. 2.5 billion as their annual sales (Putra, 2019).
3. Medium-sized enterprises usually have assets for at least Rp. 500 million to Rp. 100 billion. They may achieve Rp. 2.5 billion to of Rp. 50 billion as their annual sales (Tambunan, 2020).

C. METHOD

A qualitative approach was used during the research with data sources from previous studies on business strategy management during the pandemic. Eighteen business people in the MSME sector were interviewed in the study. The data collected will then be investigated to find out how the actual conditions in the field are.
D. RESULT AND DISCUSSION

Application of Business Ethics during a COVID-19 Pandemic

The application of the principle of autonomy, such as the application of Health protocols during the pandemic in their business, the application of the use of masks and the provision of hand sanitizer before making transactions, things like this are carried out as an application of moral responsibility for decisions made by business actors.

The application of the principle of Honesty includes conformity between business people and consumers regarding the products sold and purchased. The principle of justice is in which business actors must enforce consumer rights as appropriate, such as the provision of hand sanitizers and the application of a system between products due to limited access. The principle of mutual benefit, among others, is that due to limited transactions, both business people and customers understand each other for mutual benefits, such as not communicating or little communication during a pandemic to minimize the transmission of the virus. As applied by many business people who already have a name, the principle of moral integrity will significantly affect the "good name" or brand of the business itself.

Business Strategy as Position

Strategy as a position, the position of MSME business players during and after the pandemic, is to develop a marketing plan that will help accomplish sales goals and increase productivity. Consumer attention must be piqued by planning and creating commercial items, among other things, at reasonable pricing. Identifying the most effective product distribution route in order to surpass the competition. Promotional activities using the use of technology to foster creativity and innovation. This result is in line with previous research by Shahzad et al. (2020), which states that e-commerce-based MSME actors have a different business strategy from MSME actors who do not use e-commerce in running their business.

Business Strategy as a Plan

The main focus in planning or designing MSME businesses in the future is on resources that are always available appropriately and quickly, building good information and communication systems with customers, and the facilities available in utilizing technology. Access and services to customers or consumers are the main focus in planning or designing MSME businesses in the future. The findings of this study contrast with those of Sumiati et al. (2019), who claim that strategy as planning is critical in mitigating the impact of consumer-oriented company performance. His
research also found that strategic planning influences the link between the internal and external environment on customer orientation.

**Business Strategy as Perspective**

The perception of MSMEs in terms of organizational identity and culture impacts company success. High identity efforts from businesspeople and customers will boost corporate performance and be accountable for the company’s long-term success. To manage a firm, a company’s culture must have a goal, involvement, and consistency. MSMEs see the Covid-19 epidemic as both a threat and an opportunity for growth. During the pandemic, they learned a lot of new things, including consumer behavior in response to the epidemic and MSMEs' responses to the pandemic. According to a study by Sternad et al. (2019), MSME players must respond to customer and market complaints to achieve business excellence. The conceptual dilemma that MSMEs confront when it comes to conducting business excellence is one of the challenges they encounter.

**Business Strategy as a Ploy**

MSME players use strategy as a ruse to launch new business operations in response to the Covid-19 epidemic in various ways. For instance, a distribution plan to address customer locations and product diversification keep their firm afloat. MSME players also develop product packaging in order to make items more durable, as well as procedures in order to create support systems to attain business excellence. This is following research by Sternad et al. (2019), which states that MSME players confront several challenges, one of which is a lack of resources to launch several initiatives or new business activities in order to attain business excellence.

**Business Strategy as Pattern**

MSME actors, on average, are not prepared to deal with the Covid-19 epidemic. MSME players must have the ability to absorb as much information as possible regarding the Covid-19 epidemic, including consumer behavior, business behavior, and government legislation, to equip themselves to continue their operations. This is consistent with Haa et al. (2016) findings, who claim that knowledge management methods may assist entrepreneurs in discovering and implementing effective ways to enhance their overall performance. MSME actors are urged to improve their capacity to handle information in this research, which will help them become more competitive and inventive. His findings reveal that the strength of the knowledge management process is the most critical antecedent of MSMEs’ financial and non-financial success.
MSME Problems and Constraints during Covid-19

MSME actors’ concerns and solutions for business sustainability are a reflection of the efforts that will be taken to maintain, enhance, and build their businesses by improving business management in marketing, finance, human resources, and operations. The challenge with MSME players in the marketing sector due to the Covid-19 epidemic is that they have limited market access and business networks, which has reduced their productivity, resulting in the majority of respondents being unable to continue their business. Respondents with good knowledge management and absorptive capacity can accumulate various information and knowledge absorbed from various information media that are rapidly evolving so that they can plan and rearrange strategies to start, continue, and grow their business, such as doing sales promotions through radio, newspapers, and digital media such as Facebook, Instagram, and WhatsApp, as well as displaying unique and exciting videos for customers.

The lack of knowledge, skills, and insight in exploiting existing technologies to boost corporate efficiency is a challenge in human resource management for MSME players during the Covid-19 epidemic. This pandemic outbreak necessitates MSME actors’ ability to adapt to current conditions, one of which is the ability to leverage existing technologies, such as selling online via social media, improving customer service quality, and diversifying products and services to boost company performance.

Due to government restrictions and controls enacted during the Covid-19 epidemic, there was limited access to finance. Defaults are caused by the appearance of debts from business actors, forcing them to restructure credit. Have not kept excellent and secure financial records per appropriate accounting standards, with the majority of respondents physically recording their money on paper or just recalling it in their heads. In light of this issue, MSME actors must be prudent with debt throughout the Covid-19 epidemic and ensure that capital and liquidity are accessible for long-term company viability. Furthermore, they are expected to trim the budget properly.

The lack of raw material availability, production and distribution delays, closed business locations, and not being able to ensure the availability of quality raw materials due to access from previous suppliers who were also affected by the pandemic were all obstacles faced by MSME actors in the field of operational management during the Covid-19 pandemic. The high cost of raw materials drives MSME players to shorten the product distribution chain by performing their distribution in order to decrease costs and assure product quality because they are directly involved in all operations from upstream to downstream.
E. CONCLUSION

In business, ethics apply ethical principles that business people must obey. These principles include autonomy, namely decision-making and action based on moral responsibility. The principle of Honesty is the key to the success of every business. The principle of fairness to equalize everyone in the business is treated the same. The principle of mutual benefit ensures all parties get the same rights. The principle of moral integrity is a fundamental principle in running a business for the excellent name of the business.

The strategy implemented by implementing the 5 Ps is plan, ploy, pattern, position, and perspective to achieve the effectiveness and efficiency of a business, and also demands to have management knowledge or management knowledge to improve the performance of a business. The application of Business Ethics and business strategies are carried out to realize the sustainability of a business during the ongoing global pandemic and when the pandemic is over to strengthen business management.

REFERENCES


